

SECTOR ASSESSMENT (SUMMARY): TRANSPORT, AND INFORMATION AND COMMUNICATION TECHNOLOGY

A. Sector Performance, Problems, and Opportunities

1. The Economy

1. With a population of 16.6 million people in 2012, Kazakhstan is the second most populous country in Central Asia (after Uzbekistan) and has Central Asia's largest area and economy. Given the size of its territory (2.7 million square kilometers), the country's population density of 6 people per square kilometer (km²) is the lowest in the region. As the economy is narrowly based—economic activity and investment is concentrated in hydrocarbon and mining—the government is according high priority to greater economic diversification.

2. Since 2009, economic growth has been strong with real gross domestic product averaging 7% per year. Contributing factors are the country's success in attracting foreign investment; the new off-shore Kashagan oil field, which led to a substantial increase in oil production and revenue; and the prevailing high commodity prices that have placed Kazakhstan's economy on a steady growth path. These favorable trends have, however, been associated with growing disparities across regions.

2. Challenges

3. The existing regional disparities in social and economic welfare are at the heart of the strategic task of transport network planning in Kazakhstan. Kazakhstan's economic activities and wealth are unevenly spread over the various regions. As the scope for income redistribution is limited, an industrial policy aimed at greater economic diversification is needed. In this context transport planning has an important complementary role to play. Efficient infrastructure and coherent policy and institutional measures must combine to provide an enabling environment for continued broad-based social and economic development.

4. The principal modes of transport are railways, roads, and civil aviation. During the time of the former Soviet Union, the long haul distances, the dominance of bulk commodities, and the initial low rate of motorization meant that rail transport dominated. Rail transport continues to account for about 60% of total transport output.¹ However, since 1991, road transport has grown more quickly; it exceeded growth rates of gross domestic product. As investments in road corridors are a priority of the government's strategy for transport, this situation is likely to be sustained. Competition between rail and road transport is limited to passengers.

5. Kazakhstan has 97,150 kilometers (km) of roads, of which 23,494 km are national (republican) roads of various standards and categories. The country's road density of about 35 km per 100 km²—Uzbekistan has 192 km/km² and the Kyrgyz Republic 96 km/km². The network of roads serving the rural population, which accounts for about 76% of the total network, is not fully developed—90% is unpaved and characterized by poor conditions and poor service, especially during the winter. Travel distances coupled with the poor condition of existing infrastructure are identified as the main causes for high transport costs.

6. Much of the republican road network is in a poor state of repair with about 50% requiring rehabilitation. The average driving speed along the Europe–Caucasus–Asia transport corridor

¹ Transport output is the combined ton-kilometers carried by rail and road.

(one of the six international Central Asia Regional Economic Cooperation Program transit corridors) is less than 20 km/hour. Combined with cross-border impediments and deteriorated road infrastructure, transit traffic has fallen short of projections. The Ministry of Transport and Communications expects that the percentage of roads in poor condition can be reduced and is aiming at increasing the share of roads in good condition from about 20% in 2009 to 80% by 2015.

7. In 2008, 13,739 road accidents were registered in Kazakhstan—3,351 people died and 16,400 injured. The number of road accidents has fallen, but speeding and inadequate road design still cause many accidents. Inadequate road operation and traffic management cause many problems, including high fatality rates, truck overloading, and depressed revenues from transit charges.

B. Government’s Sector Strategy

8. The government places a high priority on well-integrated investments in international transit corridors and their connecting roads. Physical investments focus on reconstructing the corridors and improving road operation and maintenance systems to establish an efficient transport system that is well integrated into the international transport system.

1. Physical Investment

9. The government plans to upgrade 4,417 km of national roads of the six international corridors passing through Kazakhstan. Priority investment projects are (i) reconstructing the Western Europe–Western People’s Republic of China (PRC) Corridor; (ii) reconstructing 12 international road sections, totaling 4,417 km; and (iii) exploring other potential west–east and north–south transit routes. The government plans to (i) construct or upgrade 7,127 km and repair 9,951 km of national roads (ii) and repair and improve the operation of 12,485 km of local roads.

Table 1: Road Works by Road Type, 2010–2014
(kilometers)

Road Type	Road work	2010	2011	2012	2013	2014	2010–2014
National	Construction or upgrading ^a	550	1,290	1,914	2,001	1,370	7,127
	Repair	1,429	2,720	3,424	4,942	4,563	17,078
Local		2,274	2,313	2,273	2,805	2,820	12,485
Total		3,703	5,033	5,697	7,747	7,383	29,563

^a Including sections to be implemented through concession.

Source: Ministry of Transport and Communications, Government of Kazakhstan.

Table 2: Construction, Upgrade, and Repair of Public Roads, 2010–2014
(T billion)

Item	2010	2011	2012	2013	2014	2010–2014
National road construction or upgrading ^a	153.9	290.6	448.2	454.9	239.5	1,587.1
National road repairs	20.0	25.0	27.0	27.0	30.0	129.0
National roads subtotal	173.9	315.6	475.2	489.9	269.5	1716.1
Local roads	38.1	41.3	53.9	60.8	67.3	261.3
Total	212.0	356.4	529.1	542.7	336.8	1,977.4
External borrowing	89.6	153.0	182.5	21.2	43.0	489.3
Concession		94.2	215.9	257.4	39.2	606.7

^a Including sections to be implemented through concession.

Source: Ministry of Transport and Communications, Government of Kazakhstan.

2. Nonphysical Investments

10. Nonphysical investment opportunities are directed to promoting private sector participation in selected road sections, applying cost-recovery principles, establishing a private sector participation framework that will ensure the transparent and competitive selection of project sponsors, developing a risk-sharing management framework, and enhancing road maintenance management. Improving transport operations through the application of information technology will ensure seamless cross-border movement. The government is aiming to improve road safety through comprehensive and coordinated programs, continuous improvement of road regulations, and the preparation of a better and more accountable road development program.

3. Policy Framework

11. A policy framework for roads for 2006–2012 was developed and included in the first multitranche financing facility (MFF).² Specific policy changes that are being or will be pursued are summarized in Table 3.

Table 3: Policy Framework for Roads, 2006–2012

Reform	Action	Status	Planned
Good governance and accountability	Promote private participation in the financing of road infrastructure	Road Law amended in 2009; small number of genuinely private contractors—role limited to periodic maintenance	Development of public–private partnership concept under proposed technical assistance (TA)
	Introduce competition into the road maintenance market	Routine maintenance carried out by Kazakhavtodor	
	Clarify the dual role of Kazakhavtodor as implementing agency and contractor	Kazakhavtodor is to act as implementing agency and is still carrying out civil works contracts	Need to develop a time-bound action plan for the unbundling of Kazakhavtodor
Sustainable road subsector	Develop a road asset management system (RAMS) and provide a stable, secure, and sustainable source of financing for the road network	Systematic condition survey and life-cycle cost assessments are all but absent	Use up-to-date computer technology to enable better decisions on investment and maintenance; adopt rational maintenance and management strategies to minimize costs over the life cycle of a road
	Introduce emission controls and other environmental protection measures	The Asian Development Bank may provide TA	Consider organizational implications for the RAMS and determine an institution to act as guardian and location of the RAMS

² ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility and Administration of Loan to the Republic of Kazakhstan for the CAREC Transport Corridor I (Zhambyl Oblast Section) [Western Europe–Western People’s Republic of China International Transit Corridor] Investment Program*. Manila.

Reform	Action	Status	Planned
Cost recovery	<p>Enforce user-pay principle to ensure that roads are priced to improve economic efficiency and that all road users progressively contribute the full cost of maintaining the network, while promoting equity between different categories of road users</p> <p>Select sources of financing suitable for generating income consistent with the development of traffic</p>	<p>Cost recovery and road user charge study completed</p> <p>Road works are financed from the general budget</p>	<p>Practical options for the financing of road works include (i) taxes on vehicle fuel (cess), (ii) annual fees for vehicle licenses, (iii) tolls, and (iv) other fees</p> <p>TA is proposed to develop a suitable solution</p>
Enforcement of traffic safety legislation	Need for a public information campaign	<p>Critical accident statistics point to need for urgent action</p> <p>Vehicle dimension and safety rules were applied in 2004. In 2003, Commonwealth of Independent States (CIS) countries agreed on the Minsk Agreement.</p>	
Transport logistics	<p>Develop a seamless, intermodal network to ensure high-quality, efficient logistics chains and unimpeded flows of goods and people</p> <p>Introduce a single transport document to facilitate multimodal transport.</p> <p>Introduce a single access point for administrative procedures to promote simplification of freight-related information</p> <p>Eliminate transit fees (while foreign vehicles should pay for the use of the roads, transit fees can stifle trade; the</p>	<p>The proposed corridor is a step toward improving transport logistic</p> <p>Obstacles to transit traffic are formidable, especially for trucks without having transit documents (TIR).</p> <p>Despite substantial investment in trade facilitation and customs cooperation programs, improvements in border processing have been limited</p> <p>Fees for foreign forwarders are high and not competitive compared with alternative corridors</p>	Continuation of the transit transport and trade facilitation measures under the Central Asia Regional Economic Cooperation program

Reform	Action	Status	Planned
	transit fees in Kazakhstan appear arbitrary)	(transporters consider the high transit fees to be a deterrent)	
Road subsector organization	Streamline the main functions of road management to delineate (i) road ownership (a ministry), (ii) road financing, (iii) road administration (a road authority including local branches), and (iv) commercial contracting industry	Oversight over public roads resides with the Committee of Roads, Ministry of Transport and Communication Management of roads shared by the Committee of Roads, oblasts, and Kazakhavtodor Contractors not always private firms	

Source: Asian Development Bank.

C. ADB SECTOR EXPERIENCE AND ASSISTANCE PROGRAM

1. External Assistance and Lessons

12. The Asian Development Bank (ADB) is the lead agency in the transport, customs cooperation, and trade facilitation activities of the Central Asia Regional Economic Cooperation (CAREC) program. International financial institutions involved with roads in Kazakhstan include ADB, the European Bank for Reconstruction and Development, the Islamic Development Bank, the Japan International Cooperation Agency, and the World Bank. ADB financed the Gulshad–Akchetau road (completed in 2002) and the Almaty–Bishkek road (completed in 2006). The Gulshad–Akchetau road project is rated successful³ and the Almaty–Bishkek road project satisfactory.⁴ ADB approved a multitranche financing facility for the CAREC Corridor 1 Investment Program (Zhambyl Oblast) and a \$340 million loan for the 1st tranche in 2008, a \$187 million loan for the 2nd tranche in 2009, a \$173 million loan for the 3rd tranche in 2010, and a \$112 million loan for the 4th tranche in 2011. ADB approved another multitranche financing facility for the CAREC Corridor 2 Investment Program (Mangystau Oblast) and a \$283 million loan for the 1st tranche in 2010. All the projects under implementation are complying with the requirements of their framework financing agreements and loan agreements.

2. Strategic Context

13. The government has formulated a number of long-term development strategies to achieve sustained economic growth, trade competitiveness, and higher welfare standards for the population. Relevant to the transport sector are the Kazakhstan 2030 Strategy,⁵ the National Territorial Development Strategy,⁶ the Transport Sector Development Strategy for 2006–2015,⁷

³ ADB. 2006. *Performance Evaluation Report: Road Rehabilitation Project in Kazakhstan*. Manila.

⁴ ADB. 2007. *Completion Report: Almaty–Bishkek Regional Road Rehabilitation Project in Kazakhstan*. Manila.

⁵ Government of Kazakhstan. 1997. *Kazakhstan–2030: Prosperity, Safety and Improving Living Conditions for All People in Kazakhstan*. Astana.

⁶ Government of Kazakhstan. 2006. *Strategy of Territorial Development of the Republic of Kazakhstan up to 2015*. Astana.

and the Road Sector Development Program for 2006–2012.⁸ Common to the strategies is the goal to foster sustainable development, improve living standards, and increase the competitiveness of Kazakhstan. ADB’s future role in the transport sector is outlined in its country partnership strategy, 2012–2016 for Kazakhstan,⁹ and the CAREC Transport Sector Strategy for 2008–2018. The CAREC Corridor 3 Road Improvement Project involves the reconstruction of a 37 km section of the Shymkent–Tashkent Road, which connects with CAREC Corridor 1 linking Eastern Europe with Western PRC. The project is included in the government’s priority Western Europe–Western PRC Corridor investment program. It is compatible with the CAREC Transport and Trade Facilitation Strategy and Action Plan, as well as with ADB’s core business areas in Kazakhstan.

⁷ Government of Kazakhstan, Ministry of Transport and Communications. 2006. *Transport Strategy of the Republic of Kazakhstan Up to 2015*. Astana

⁸ Government of Kazakhstan, Ministry of Transport and Communications. 2006. *Road Development Program for 2006–2012*. Astana.

⁹ ADB. 2012. *Country Partnership Strategy: Kazakhstan, 2012–2016*. Manila.